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Discussion Statement No. 17 February, 1935
Material suggested for use in developing discussion
of problems of agricultural adjustment.

United States Department of Agriculture
Agricultural Adjustment Administration
Washington, D. C.

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A LAND USE PROGRAM FOR THE COTTON BELT

Adapted from an address by H. R. Tolley, Assistant Administrator and Director of the Program Planning Division, Agricultural Adjustment Administration, before the Association of Southern Agricultural Workers, Atlanta, Georgia, February 1, 1935.

Formulation of a land-use program for the Cotton Belt, with its mingled agricultural and industrial problems and its human problems, which involve half the rural population of the entire Nation, is a task of great magnitude.

One fact, however, which lends encouragement is the change of attitude on the part of most of our people toward the idea of planning. We are no longer resigned to "letting things take their course." We realize that we can consciously plan our affairs, socially, nationally, regionally.

A well-run farm provides an example of private planning, involving appraising both the conditions of marketing and the resources of the farm. Planning involves choice of commodities to be produced for which a demand exists at a sufficiently profitable price, and which may be efficiently produced on the particular soils and under the particular climatic conditions surrounding the farm. Marketing factors involve the location of markets, shipping costs, and other supply and demand factors. Production factors involve the size of the farm, capital investment, machinery, climate and soils, and practices of farming which both utilize and conserve the farm's resources. For every productive farm, taking into consideration all these elements, there probably exists a certain combination of enterprises which may bring the best returns to the farmer over a period of years, and wise farm management can at least approximate this kind of planning.

Social planning for agriculture differs from private planning chiefly in scope. Instead of considering supply and demand factors for a single farm and for a few commodities, these factors must be appraised for the nation as a whole, or for a given region, or a given area - and for all commodities which

may be involved. Likewise, the total resources of the agricultural plant for the nation or the region must be appraised.

For the sake of simplification we may visualize social planning for agriculture by imagining the entire agricultural plant being treated as a single farm. All the different types of lands and soils would be classified according to the uses that could best be made of each. Production would be distributed over the areas according to the quantities of each commodity needed and the comparative advantage of particular areas and localities in the growing of each commodity. Land which should be in corn would not be in wheat, and land which should be in grass would not be in cotton. Land which should not be farmed at all would be left for forest, or recreation, or other uses. Farmers would work those areas which would return a fair living. Our total land resources would be managed as a good farmer would manage the resources of a single farm.

PLANNING IN A DEMOCRACY REQUIRES ASSISTANCE OF THE PEOPLE

Actual planning in a democracy requires that the people themselves will help formulate both the plans and the methods. Research is needed, of course, and a wide dissemination of the facts on which a plan is based. But with these facts made available, and with plans developed in cooperation with the people and their leaders, democratic method requires that the people themselves decide on the program that is actually to be carried out. This indeed has been the method of operating the agricultural adjustment programs already in effect.

These are some of the factors involved in planning in general. What are the factors which enter into planning and utilization of an agricultural program for the South?

First are the factors relating to demand. In what quantities does a demand exist for the commodities which the South produces? How much cotton can be sold abroad and at home? How many hogs? How much turpentine and lumber products? How much feed and food crops may be consumed on the farms themselves? How much dairy products and vegetables will be needed for the urban and mill populations?

Second are the human factors. What is the population in the South and what are the trends toward future population? What part of this population may find a livelihood in industry, in forests, or in mines, and what portion must be supported on the land?

Third are the factors which make up the resources of the South. These include mineral, lumber, and industrial resources. They include the tillable farm lands. The various farm areas should be examined with respect to the types of farming which may most profitably be carried on in each area. What areas are best suited to producing chiefly cotton? In what areas should a more diversified farming be practiced? Necessarily the productive capacity of the farm areas must be considered in relation to farming practices and climatic conditions. Involved in this are the size and tenure of farms, and conditions which make for erosion and depletion of the soil, or, on the other hand, for conservation.

When we consider the demand for commodities produced in the South, we are immediately faced with the question of international trade and foreign policy. While less than ten per cent of all the goods produced in the United States have ordinarily been sold abroad, the South has regularly sold more than 50 per cent of its cotton and 25 per cent of its tobacco in foreign markets. Consequently the question whether the United States is to pursue a general nationalistic policy in the future, or whether it is to make serious efforts to regain foreign trade, falls with particular force on the South.

The question has no simple answer. Much depends on what other nations decide to do, whether they find it desirable to continue drastic policies of promoting self-sufficiency, whether the uncertainties threatening war are removed or not, and whether more stable monetary and credit relations are attained.

Much depends on what our own country decides with regard to foreign and domestic policies. For the South there is a serious question as to the advantage of going after the foreign market at any cost, producing large supplies of cotton at whatever price the world can pay for its portion of the crop, compared to limiting the crop in keeping with domestic demand and such foreign outlets as may be secured at reasonable prices. The first path could be followed, perhaps, by a return to unrestricted production. It might mean a return to five-cent cotton with the living standards which go with five-cent cotton and the depletion of the soil which follows upon large crops, low returns per acre, and the inability to replace the soil nutrients from year to year.

There should be no question as to the desirability of securing larger foreign markets once more, provided they can be secured at fair prices.

IMPORTS PAVE THE WAY FOR EXPORTS

But this path will mean taking into account certain facts with regard to our international relations, facts which we have been inclined to ignore in the recent past. One is that the United States probably will continue for an indefinite time to be a creditor nation. This means that the regaining of a substantial part of our export trade can be accomplished only through a large increase in the imports of goods and services to the United States. The major objective of our tariff and international trade policy in relation to agriculture, therefore, would be to obtain an expansion of imports. New imports should be largely, though not entirely, industrial rather than agricultural. Such a policy would then make it possible to expand agricultural exports once more.

Attention should also be paid to the various financial and legislative barriers which now constrict international trade. The success of the Cuban trade agreement indicates that this method may help to open avenues of exchange between the United States and other countries.

All these matters are of importance to agriculture in that production adjustment will be less difficult and severe, if a substantial portion of our agricultural export trade can be reestablished. This is particularly true with respect to Southern agriculture.

At any given level of domestic and foreign demand, Southern farmers will have in their own hands the decision they wish to make as to how much cotton they want to produce. This is made possible by the essentially democratic method of the Adjustment Act. It is up to Southern growers to decide. It is all the more important, however, that cotton farmers understand the implications of a small or a large crop and the attendant policies that must go with either decision.

If Southern farmers decide that they wish to limit cotton production to an amount which can be sold at around 12 cents instead of five or six cents, they must also face the question of livelihood for those cotton farmers who might eventually be excluded from producing this crop. This problem has a temporary and a longer-view aspect. Should the South permanently adjust cotton production to a smaller volume it would be necessary to find other means of livelihood for the cotton farmers not needed. But until other opportunities appear, the only logical and humanitarian policy is to distribute cotton production on a pro rata basis among all farmers now producing cotton.

In order to plan for a longer period, we must take into consideration population and migrational trends in the Southern region. The facts stand out with regard to population trends. The first is that the birth rate is much greater for rural and farm population than for city population, and the second is that the South contains much the highest percentage of rural population of any region of the country. In 1930, according to the Census, the number of children under 5 years of age in the large cities lacked nearly 20 per cent of being sufficient to maintain permanently the population of those cities, while on the farms there was a 50 per cent excess over a stationary population. Since half the farm population of the nation resides in the South, this region plainly may look for a continued increase in its population.

Trends of migration from farm to city or vice versa will, of course, help determine the actual population on Southern farms. The regular trend of migration in recent years has been from the country to the city. During the decade of the twenties, for instance, there was a net migration of almost 6 million people from farms to cities. This migration was particularly large from the Southern states. For the eight chief cotton states: South Carolina, Georgia, Alabama, Mississippi, Louisiana, Texas, Oklahoma, Arkansas, there was a net migration from country to city during that decade of approximately 2,300,000 people.

DEPRESSION INCREASED FARM POPULATION

The depression reversed this migration. During 1931 and 1932 there was a net migration to the farms of probably three quarters of a million people. At the same time, births exceeded deaths on farms by about 900,000. However, there is reason to believe that the normal migrational trend is already being restored, to some small degree, at least. Studies indicate that by 1933 the net migration was once more trending cityward.

If, however, industrial activity does not revive greatly, and city migration is not resumed in its previous volume, the greater birth rate on farms

would tend to increase rural population considerably. And it is estimated that whatever increase took place, two-thirds of it would occur in the South.

Accompanying the large rural population of the South are smaller farms and smaller incomes per family than obtain in other farm regions. The annual value of farm products per person occupied in farming is about two and one-half times greater for farmers in the West North Central States than for farmers in the South. Three-fourths of farms in the country which produce less than \$1000 in gross value of products are probably in the South.

The interest of the South in opportunities for part of its farm population to obtain livelihood in industrial or other pursuits is thus evident.

Without such opportunities as may come with industrial recovery, which would reestablish the previous trend in migration, the problem of an increasing population on the land will become greater. The eastern half of the South, particularly, has a large stake in further industrial development in its own area.

ALL RESOURCES OF SOUTH SHOULD BE CONSIDERED

In formulating a program which may better meet the needs of the large population in the Southern States, the various resources of these states should be appraised with respect to their greatest possibilities for providing livelihood. What are the industrial resources and opportunities, what are the opportunities in lumbering? What is every acre of land in the South best fitted to produce or contribute to social usefulness?

A number of facts stand out. There is the fact of economic advantage in the establishment of mills for processing and finishing cotton close to its source of production. A further advantage is the existence of labor resources which, because of mild climate and lower living costs, may be justly obtained at lower wages than are required in the North.

The possibility of further industrial development is of importance to Southern agriculture in a number of ways. Not only might it provide livelihood for numbers of people from overpopulated rural areas, but it would open further local markets for food products. In this connection, a shift from the production of the single crop, cotton, to production of vegetables and dairying for local markets would be a desirable development. The domination of cotton production in the South has been to a large extent the cause of continual soil-depletion. Such a shift would conserve soil resources, as well as materially aid in solving the problem of volume of cotton production.

From the point of view of land use in the South, a considerable development of forestry would be most desirable. A significant percentage of the acreage in the states of Mississippi, Alabama, and the northern half of Georgia, which is or has been in cotton is now so harmed by erosion that a return to forest growth is the only practical solution from the point of view of good land usage. Such a use would tend to halt erosion and slowly replace some of the soil nutrients that have been removed. Also, along with forest development

there is the opportunity for a considerable amount of grazing on these lands.

SOIL CONSERVATION NEEDED

Because of the factors which make for a high rate of erosion in the South--heavy rainfall, open winters, and the persistent production of row crops such as corn and cotton,-- leaching and erosion have been accentuated greatly. Oxidation by bacteria has also tended to reduce the chemical sources of fertility, adding to the physical depletion by erosion.

Obviously, not all of these factors may be controlled so as to eliminate erosion and soil-depletion completely. However, a great deal can be done through practices of crop rotation, the use of chemical fertilizers, terracing and other practices of good farm management.

On much of the farm land of the South, types of farming and the size and tenure of farms have undoubtedly tended to work against good farm management practices and to increase the rate of erosion and soil depletion.

With regard to size of farms, the report of the National Resources Board indicates that within certain extensive areas of central Texas and Oklahoma and in other areas reaching east to South Carolina, many farms are too small to permit of sufficient pasture or soil-building crops to control erosion and maintain soil fertility. Adjustment toward larger farms in these areas cannot easily be accomplished by individual action. The report suggests that the Department of Agriculture in cooperation with State experiment stations, should define more accurately the areas where this type of adjustment is required, and work out the size and types of farming necessary to a system of agriculture capable of furnishing reasonable livelihood for the families involved and maintaining soil fertility. The report further suggests that steps should be taken, possibly through the Farm Credit Administration, to effect adjustments in indebtedness to make possible the requisite changes in tenure either by purchase or lease. Such a program would necessarily have to be coordinated with the program for retiring submarginal land and for resettlement of families on better land.

The present tenure of farms also raises problems that should be met. A high rate of mobility is characteristic of farmers in areas where tenancy is prevalent. In the state of Oklahoma, where tenancy has increased in recent years to include 59 percent of all farmers in the state, it is estimated that one-half the tenant farm land changes occupants each year. For the country as a whole the same report shows that a little over 30 percent of tenant farmers had moved on new farms in 1925.

It is obvious that mobility as great as this, besides being a handicap in the education of children and in participation in community life, makes for little interest in the permanent condition of a farm. Carelessness in keeping up equipment and in preserving the fertility of the farm is the result. Furthermore, the emphasis on a cash crop--cotton--which generally is part of tenant economy in the South, also tends to prohibit practices of rotation and diversification which conserve soil resources.

INCREASED FARM OWNERSHIP DESIRABLE

Increased farm ownership, advocated by progressive Southern agricultural authorities, is one of the great needs of the South.

It has been suggested that the chief point of attack on the problem of promoting farm ownership should be in the liberalization of the terms of purchase. The present terms of farm purchase are difficult to meet, in view of the short period allowed by such terms to make a farm pay for itself. It has been suggested that a demonstration be made by the Federal Government to prove that under proper conditions experienced farmers can pay out on their purchase and may be financed with safety. This demonstration might take the form of a group project for a selected number of capable tenant farmers desiring to own their farms, through which each farmer may have the benefit of mutual cooperation.

Another proposal along this line is that the Federal Government acquire the extensive present holdings of land in the South by bank and insurance companies, large holdings to be broken up into family-sized farms and sold to the tenants now living on them, with any residue made available to other families desiring farms. Contracts would provide that resale or mortgage of the farms could be made only to the Federal corporation set up to carry out this program, which would be required to resell any farms reverting to it within a short period. To hasten the conversion of share-croppers and tenants into independent landowning agriculturists, it is proposed that a supervisory service and credit agency be made available, for promotion of desirable types of farming and the supplying of necessary credit for tools and animals.

Whatever approach may be followed, there is general agreement as to the final objective of a program of this sort, which may perhaps be summarized in the words of Rupert Vance: "A system of small owners producing all the varieties of fruits, vegetables, and staple crops of which the South is capable, supplementing their live-at-home agriculture with as much cash farming as the markets at home and abroad will absorb." And most proposals agree on some sort of supervised, Federal-financed program for the interim period of transformation from tenancy to independent ownership.

The growing interest of Southern leaders in plans of this sort, and other developments in the South--the TVA and the various power plans, the possibility of a forest products industry on a greatly enlarged scale, further development of textile and other industries--suggest to an observer that the South is now going through a transition period which holds great possibilities for the future. In many ways, it seems to me, the South is in a peculiarly favorable position to take advantage of new social patterns which the times call for. Unlike many sections of the North, the South does not have the great financial concentration which has tended to dominate the use of the resources available. Instead, it seems to me, the latent resources of South may be developed according to the logic of a wiser regional planning, more flexible in its methods and broader in its distribution of benefits.

If I am right in this conjecture, it is all the more important that a definite and comprehensive program for the wise regional development of agriculture be tied in with a general regional plan. It is time this decision were made. The path has already been cleared to some extent by the adjustment programs in operation. These programs have effected only certain hasty and temporary adjustments, on a horizontal plane. They have, however, provided a striking demonstration of cooperative action among farmers. They signalize the possibility of further harmonious action which can effect much more specific, beneficial, and lasting adjustments in each region, each area, each locality where agriculture is carried on.

Such a program, however, will require more knowledge than we have yet gathered and more comprehensive planning than we have done before. Relationships between regions and within regions need to be coordinated. For instance, it would be well to come to an understanding as to the desirable division between cotton production in the eastern and the western half of the Cotton Belt. The eastern half is characterized by small farms, uneven terrain, high rainfall, hand methods, and the use of large amounts of fertilizer. In most of the western belt, on the other hand, production is on a larger scale, with more extensive use of machinery, and as yet little or no fertilizer. The low-cost methods of production in the west have encouraged expansion and have made it difficult for the eastern producer to meet western competition.

A comprehensive land-use program for the Cotton Belt might establish that the conditions of production in the western region indicate the advantage of a type of farming devoted mostly to the single crop, cotton, while conditions in the eastern belt indicate the advantage of greater diversification of crops to fit in with industrial needs and a partial home-production type of farming.

The point is that any plan which might be adopted, if it is to be equitable for all farmers concerned, must take these regional and individual farm differences into account.

The impossibility of considering the agriculture of the nation as a single unit is illustrated by the fact that the United States can be divided into 12 major agricultural regions, in which we have the well-known Corn and Cotton Belts, Wheat, Range Livestock, Dairy, and other regions. The problems in one region are distinct from those in another, and must be considered separately.

The Cotton Belt can be divided into various subregions, of which at least 15 to 20 can easily be distinguished according to variations in physical conditions and types of farming. The proportions of farm acreage in cotton, and the proportions in which cotton acreage is combined with other enterprises, varies from one subregion to another.

This process of refinement may be carried still further. The subregion designated as the Mississippi-Alabama Clay Hills and Rolling Uplands, may be divided into six type-of-farming areas. These areas vary widely in the percentage of land in farms, in the percentages of farm land which are devoted to cotton and to other crops, and in the production of cotton per square mile of farm land.

If data were available by smaller geographic units, these areas, in turn, could be refined still further until the individual farm were reached.

MORE FLEXIBLE ADJUSTMENT BEING DEVELOPED

Any agricultural program, if it is to be on a logical and scientific basis, must take these differences into account. If such a program is to be approached along the lines of the present adjustment programs, obviously these programs must be modified so that they allow a more flexible method of adjustment than is now provided for in the horizontal allotments on a "historic base."

The tobacco programs have allowed a choice of certain combinations of years in the base period for determining the base acreage, and a liberalization of the method of determining production quotas has also recently been made. Likewise, the corn-hog program for 1935 will allow farmers with an abnormally low corn acreage during the base period to increase their corn bases to a point in keeping with the relationship between corn acreage and total acreage for the locality. In the 1935 cotton program, a cooperating farmer may plan an acreage of cotton varying from 65 to 75 per cent of the base acreage, choosing within this range the acreage best suited to conditions on his farm.

All these modifications have been moving in the direction of adapting the adjustment program to special needs. However, as part of a more comprehensive and efficient land-use program, this kind of modification should be carried further to fit in with the needs of regions, sub-regions, and types-of-farm areas, and even of the individual farm. Obviously, to plan and work out such a program would call for a vast amount of data and information not now available, and for the development of methods of effecting the programs which would greatly decentralize the present organization and place responsibility more in the hands of regional and local committees.

With regard to the first step, the accumulation of data, the approach might be somewhat as follows:

First, it is necessary to determine for each commodity the volume of national production desired, taking into account both domestic and foreign demand.

The second step would be the determination of the proportion of this national total for each commodity that is to be produced in each of the agricultural regions or type-of-farming areas. In determining these proportions, representatives of the farmers and agricultural agencies would confer together concerning the adaptability of each region to the production of the commodity in question.

The third and final step would involve the allocation, on an equitable basis of production of the various commodities among the farmers in each region. In this step, the aim would be to encourage systems of farming that would provide for the best utilization of the farmer's resources, conserve soil fertility, and provide the maximum of farm income over a period of years, keeping in mind at all times the national and regional goals. It is at this point

that the importance of regional and local responsibility for the program is most evident. Research would help to provide the data for decisions in this process, but it would have to be the farmers themselves, working through county or area associations, who would make the final decision.

A type-of-farming program, differentiated as to regions and subregions, would be the logical sequel to the present adjustment programs, to be developed perhaps, for the year 1936 and the years to follow. Such a program would involve the division of the Cotton Belt into subregions, such as the Large Scale Cotton Area of Texas and Oklahoma, the Texas-Arkansas Piney Woods and Uplands Area, the Delta Cotton Section of the Lower Mississippi Red River and Arkansas, the Piedmont, Coastal Plain valleys, and so on. Regional boards or committees would necessarily be set up to cooperate in planning and carrying out a program of this sort.

But such a program would be only part of a broad, long-time agricultural program for the Cotton Belt. It could not be separated from other phases of a farm program, which would include the promotion of farm ownership, erosion control, rural rehabilitation, and acquisition and better use of land too poor for farming.

Progress is already being made in a number of these programs. Through the program of land purchase, which the Federal Government is carrying on with funds allocated to the FERA, it is expected that approximately two and one-half million acres of distressed land in the South will have been acquired by next summer. Approximately 50 projects will demonstrate ways in which this land can be put to better use, as forest reserves, grazing lands, and in other ways. This program is necessarily in conjunction with the program of resettlement of the families which have been impoverished by trying to farm land that cannot return a decent living. The programs thus have the double purpose of bringing about a greater social usefulness of our agricultural resources and of correcting the human maladjustments which have occurred.

One of the principal objectives of the report of the National Resources Board is to lay the foundations for a new national policy in land use. The recommendations include suggestions of the type of adjustment which needs to be made through a comprehensive agricultural program. Thus, for the Upland area of the South the report suggests withdrawal of some of the arable farming land in the roughest sections, the land to be converted to constructive uses, mostly forest; the institution of constructive management of forests; erosion control in the better farming areas; and increasing the size of the farm units in the less broken areas. For the Coastal Plain, it advocates withdrawal of farming from small, scattered areas; modification in tenure and financial status of holdings; and constructive management of forest lands. For the Delta Section, it points out the need of refinancing distressed drainage districts; of provision for additional drainage; and of withdrawal of arable farm land in sections most subject to flood. These recommendations indicate the variety of special problems which a long-time agricultural program should meet in the different parts of the South.

PLANNING REQUIRES COORDINATION OF EXISTING AGENCIES

One need is the coordination of existing authorities in planning and carrying out a broad agricultural program. These include agencies of local, State, and Federal Governments. A great deal can be done through local and State legislation in effecting policies of land settlement and use. A number of Southern States have recently instituted State planning boards.

There is further need for cooperation of all the groups and agencies interested in agriculture, to work with the farmers on the one hand and the Federal Government on the other, in contributing facts and ideas which may build up a program. Much remains to be done in appraising the resources, opportunities, appropriate types of farming, and desirable adjustments in each of the various sections.

Through a pooling of information as gathered from farmers, agricultural workers, other professional people, and everyone who can contribute data and ideas, we might work out an agricultural program which would move forward on many fronts. Such a program would have a more permanent objective and a broader purpose than the production adjustment programs now in operation. It would involve regionalized adjustments bringing about types and practices of farming which best utilize the resources of each region and subregion. It would involve adjustment of our total agricultural plant, through retirement of poor and impoverishing land. It would effect measures of conservation through erosion control and other constructive activities. It would facilitate the human adjustments that need to be made. Through a program of this sort, farmers in the South may be able to solve many of the problems that now face them, and look forward to a more satisfying life on the land.

Discussion Statement No. 18, February 1935
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Agricultural Adjustment Administration
Washington, D. C.

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SOME FACTS ABOUT AGRICULTURAL EXPORTS

Adapted from a statement by Chester C. Davis,
Administrator of the Agricultural Adjustment Act,
before the Senate Committee on Agriculture and
Forestry, February 4, 1935.

This Government is undertaking to overcome the many specific impediments to world trade. It is inherently a slow process. But at least positive efforts are to be preferred to a fatalistic resignation.

While these efforts are under way, the Agricultural Adjustment Act provides an opportunity for agriculture to get its house in order and affords much assistance to farmers who are ready to produce to capacity when and if there is a genuine, profitable demand for their products.

The mechanism of the Agricultural Adjustment Act tends to keep our American producers in the export market. When relating the operations under the Agricultural Adjustment Act to the broad problems of international commerce, it should be kept in mind that preference is given by the act to export trade. The processing taxes on cotton, wheat, hogs, tobacco, and other crops for which adjustment programs are developed are levied only against that portion of these products which go into domestic consumption. The processing taxes are not levied upon that quantity that moves into export. The taxes are rebated upon raw materials used in flour, textiles, or the products manufactured from the basic commodities covered by adjustment programs.

The benefit payments to farmers out of processing taxes increase their incomes from the part of the crops which are consumed in this country, while the absence of taxes on the exported portion of these crops permits wheat, cotton, and other basic crops and the products manufactured from them to move freely in world trade. The aid afforded by the act to producers of these commodities tends to retard their movement into the production of non-export crops, such as dairy products, beef, and many of the fruits and vegetables, and hence helps to avert market gluts in these domestic crops.

Following in rather summarized form are some of the reasons for the decline of exports of agricultural products other than cotton.

Wheat

The unprecedented low level of wheat exports has been accompanied by our exceedingly short crops of 1933 and 1934. In each of these years, due mostly to drought, United States wheat production fell below domestic consumption requirements.

There is reason to hope that the exceedingly low wheat exports of this year will represent the low point of the depression so far as wheat exports are concerned. Wheat was the first product to be seriously affected by the efforts of European countries to produce for their own requirements after the war period, and by the increases in restrictions on imports.

The restrictions on wheat have taken a variety of forms, including not only high tariffs, but import quotas, milling restrictions, mixing restrictions, and exchange regulations in the importing countries. At the same time that wheat importing countries were reducing wheat imports through these methods, almost all major wheat exporting countries encouraged production of wheat through bounties to producers, export dumping bounties, price fixing or stabilization schemes or other methods. In some countries, as in France, both types of devices have been used.

During the period of the rapid decline of world wheat prices, these movements were intensified so that even though prices on world markets fell sharply from a level above \$1.50 per bushel to below 50 cents per bushel, restrictions in importing countries were maintained or raised as prices fell. The result was that wheat prices in importing European countries were maintained with practically no reductions. These actions encouraged expansion of wheat acreage and production in the wheat importing countries and reduced consumption there. Meanwhile production in the exporting countries either was maintained without reduction, or else continued to increase. New improvements in production and lack of any alternative products, plus the government encouragements to continue production, all contributed to this outcome.

The year-end carry-over of wheat in the exporting countries increased from a normal level of approximately 300 million bushels prior to 1928, to a peak level of nearly 800 million bushels at the beginning of the 1935 season. In 1932 and 1933, the countries of Continental Europe harvested exceptionally large crops, producing practically all the wheat needed for their own consumption. With the excessive supplies already on hand in the exporting countries, this reduced the world level of demand to new lows.

The International Wheat Agreement, signed in August 1933, has resulted in some improvement in this situation. Partly due to the agreement and partly due to natural causes, such as drought, the acreage planted in 1934 showed a marked reduction in each of the four important exporting countries. There also was a slight reduction in acreage in Continental European countries adhering to the Agreement, including Italy and France. The extreme drought in North America and short crops in the Danube Basin in 1934 further reduced supplies. It seems likely that by the end of the current crop year perhaps half of the excessive world wheat supplies will have been eliminated.

On the Continent of Europe, however, there were very large carry-overs of wheat from the large European crop of the two preceding years, so that in spite of the short crops in the Danube Basin, world shipments of wheat will probably continue low this year.

So far as the United States is concerned, the very short crops of 1933 and 1934 will bring our carry-over down to about normal by the end of the current year, probably reducing it from the all-time peak of 390 million bushels the first of July 1933, to between 125 and 150 million bushels by the first of July 1935. The very short crop this year plus the active demand for low grades of wheat for feed as a result of the crop failure for corn and other feed grains, have kept our prices far above world markets, so that there is no possibility of exporting wheat to other countries through normal commercial channels. This explains the disappearance of our exports so far as the current season is concerned.

In connection with export operations, an emergency arose in the Pacific Northwest during the 1933-34 marketing year. Ordinarily, much of the wheat of this region goes into export trade. With export markets cut off, however, and with domestic prices east of the Rockies well above world levels, wheat prices in the Pacific Northwest began to fall and threatened to reach distressingly low levels.

To meet this emergency the North Pacific Emergency Export Association was formed and a marketing agreement was drawn up under Paragraph 2 of Section 8 of the Agricultural Adjustment Act. This association did not handle wheat in its own name but merely authorized its members, who were grain handlers, exporters, and millers in the Pacific Northwest, to purchase wheat at prices determined by representatives of the Secretary of Agriculture. Members of the association were authorized to make sales for export, and the difference between prices received and prices paid was made good to the members of the association out of processing-tax funds.

In this operation, more than 28,400,000 bushels of wheat were purchased, 21,800,000 bushels were sold in the form of wheat, and 6,600,000 bushels were sold in the form of flour. The entire cost of operation amounted to about \$6,500,000, or about 23 cents a bushel.

Exports have not been financed during the 1934-35 marketing year because it has been apparent that there was no pressing surplus of wheat in the country as a whole. In view of the feed shortage caused by drought, we faced the possibility that the soft wheat of the Pacific Northwest would be needed for livestock feed. If exports from the Pacific Northwest had been financed during the fall of 1934, the cost would have amounted to approximately 30 cents a bushel. The cost of financing exports of hard red winter wheat from Gulf ports might have been as large as 38 to 40 cents a bushel, this representing exporting costs, plus the amount by which prices of hard red winter wheat have been above world levels.

The shortage of durum wheat in 1934 was due to the drought. There has been a sufficient supply of other classes of wheat to supply domestic requirements other than for livestock feed. The present wheat adjustment program, however, permits a sufficient acreage to supply not only our domestic needs but also large quantities for export.

If weather conditions are normal, it seems quite likely we may be able to resume wheat exports in larger volume in the 1935 season. Stocks abroad have been materially reduced; much of the heavy European carry-over from the large crops of 1932 and 1933 will have been liquidated, and the current crop in the Southern Hemisphere does not seem likely to be large.

Even though wheat exports pick up to some extent in 1935, that does not mean that the world wheat surplus situation has been solved. The acreage planted in 1934 throughout the world was large enough, with normal yields, to have produced more wheat than the current world demands would take. If, on the average, there are normal crops of wheat this year, there will again be great pressure of existing supplies of wheat on world markets.

International cooperation to adjust wheat production to consumption has been retarded by the unwillingness of one or two countries to continue in 1935 the concerted control of exports which they agreed to carry on in 1933 and 1934, or the production adjustments they agreed to make in 1934. It remains to be seen how far this international cooperation toward the solution of the world wheat problem can be reestablished.

Meanwhile, both the importation of wheat and wheat production are subject to artificial control and regulation in almost every important commercial country in the world. The French government on December 24, 1934, enacted a law which entails a gradual abandonment of a system of fixed prices. Prior to the enactment of the new law, the French government maintained fixed prices which millers were required to pay which amounted for the 1933 crop to the equivalent of \$2.34 per bushel and from \$1.93 to \$1.96 per bushel for the 1934 crop. At the present time, under the new law, millers are required to pay the equivalent of \$1.93 for 60 percent of their requirements, while the remainder can be bought on the so-called free market where the price is now equivalent to about \$1.34 per bushel. At the end of the crop year, that is, July 1, the French government obligates itself to buy up the surplus then in existence at a price equivalent to the average price on the free market during the 6 months January to June, 1935.

Under the new law, imports of wheat into France are, for the time being, prohibited. Under the conditions of strict import control which have existed for the last 2 years the duty of the equivalent of \$1.50 a bushel has, of course, been meaningless.

In every major exporting country, wheat acreage has been increased. It seems unlikely that farmers will reduce their wheat acreage and turn to other products until these countries have been provided more profitably alternative products, including products for export. A marked swing toward a restoration of international trade will be necessary before we can hope to recapture anything like our normal market for wheat exports.

Hogs

International trade in hogs was not subject to severe regulation as early as was trade in wheat. At the present time, however, the restrictions abroad have been developed to such an extent that there seems even less immediate hope of regaining any material part of the market for hog products than there is of regaining the wheat exports.

Even before the restrictions of exports became marked abroad, our hog product exports had been seriously curtailed as a result of increased production abroad. In this connection it should be noted that our hog products exports during and after the war were sharply increased above their pre-war level. During the 5 years immediately preceding the war we were exporting annually an average of about 425 million pounds of pork and about 520 million pounds of lard. During the 5 years after the war, our total exports of these products were running at a level averaging more than twice as large; meanwhile the production of hogs in European countries, Germany and Denmark in particular, was far below the pre-war level. By 1927 and 1928 the slaughter of hogs in Germany had increased to a point about equal to the pre-war slaughter level and hog slaughter in Denmark was more than double the pre-war slaughter. Meanwhile our total exports of hog products had been about cut in half. Most of the decline occurred in exports of pork just as most of the war-time increase in exports represented larger outshipments of pork. By 1932 the slaughter of hogs in Germany and Denmark had been increased to the high level of around 25 million head per year as compared with about 20 million head before the war, and slightly more than 10 million head during the years 1918-19. This increase in slaughter abroad in Europe was accompanied by large reductions in our exports of pork products and some reduction in lard exports. During the last 2 or 3 years the reduction in our exports has been especially accentuated by definite measures in the United Kingdom and Germany--previously our two most important customers for pork and lard--to make themselves more self-sufficient.

Import control measures taken by European importing countries apparently were chiefly responsible for the low level of American pork and lard exports in 1934. The level of hog production in European exporting countries was still relatively high following the upward movement in hog numbers since 1930, but the effect of foreign hog production on the competitive position of American exports was much less significant to trade than was the effect of artificial restriction.

The British import control plan was the outstanding factor affecting American cured pork exports in 1934. In lard, the situation in Germany was the outstanding factor. Indications are that in 1935 the import restrictions in both countries probably will be as severe as in 1934.

The volume of cured pork admitted into Great Britain during 1934 from non-Empire sources was reduced to 769,000,000 pounds as compared with 1,013,000,000 pounds in 1933. Of the total 1934 imports, the United States supplied 58,000,000 pounds as compared with 70,000,000 pounds in 1933. For the last 9 months of 1934, imports from the United States were set at 8.1 percent of the total from non-Empire sources. These imports consisted mostly of ham.

During 1935 there probably will be less cured pork allowed entry into the United Kingdom than was the case last year. Definite figures are not yet available. It is expected that the United States will be allowed to continue to supply 8.1 percent of a smaller total. Prior to the imposition of the quota system, we were supplying about 16 percent of the British bacon and ham imports.

So far, Great Britain has placed no limitation on the imports of American lard, other than an import duty of 10 percent ad valorem.

The German market for American pork and lard became progressively less favorable during 1934. Exchange control measures, under which very limited

allocations of money were made for the purchase of United States products, were the chief obstacle to trade.

At present only insignificant quantities of American lard and pork are entering the German market. Some effort is being made to negotiate barter agreements involving American lard, but so far the results have been negligible.

German policy appears to contemplate confining the trade in hog products to those European exporting countries with which Germany has special trade or exchange clearance agreements. At present, Hungary is the leading source of imports of hog products into Germany. A small amount of lard is secured from Denmark, but supplies in that country are very limited.

Hog numbers in Germany have been declining to some extent, however, so the lard situation later in 1935 may force greater dependence on the American supply, despite the high price level anticipated in this country.

Other northern and western European countries collect import duties and assess import license fees of varying magnitude on imports of lard and pork products from the United States. In most cases, during the last 2 or 3 years there has been a tendency to increase these duties and fees. Where negotiations for trade agreements are being undertaken, as for instance with Belgium, Sweden, and Netherlands, efforts will be made to have such duties and fees scaled down and other restrictions, if any, either removed or modified. Some advantage to the United States undoubtedly would accrue from such action.

Following a fairly constant increase from 1930 to 1933, European hog numbers tended downward during 1934. This was especially true in those exporting countries which depended primarily upon the British market for an outlet. The British policy of import restriction virtually forced the reduction in hog numbers in Denmark, Netherlands, Poland, and other lesser countries. Numbers in Great Britain and Ireland, however, are increasing.

The current downward movement in hog numbers in the importing countries, in spite of protective measures primarily to the high feed costs, developed during 1934 as a result of drought. In the case of Germany, this development ran contrary to national policy, which contemplated the maintenance of domestic pork and lard production.

In the exporting countries of the Danube Basin, where drought damage to forage crops was somewhat less severe, there is some pork and lard available for export. This area, however, may not be expected to supply the normal needs of European countries deficient in animal fats.

In only one country, Cuba, is there any material improvement in the hog product export situation. Next to Germany and England, Cuba for many years has ranked as an important market for our hog products, taking approximately 1/5 of our bacon and pork exports, and 1/10 of our lard exports. In recent years, however, exports of American hog products to Cuba from this country have fallen to exceedingly low levels due both to their low income from sugar, and to the high tariffs they had imposed on imports of their products. Under the reciprocal trade agreement recently signed with Cuba these tariffs on hog products have been greatly reduced and there has already been a sharp increase in our exports of these products to Cuba. (Note Tables 1 and 2.) These beneficial results from this

first reciprocal trade agreement are encouraging signs of what may be expected from similar agreements involving real concessions on both sides to be carried through by both countries.

Table 1.

Lard: Exports from the United States to Cuba, July-Dec., 1933 and 1934

<u>Month</u>	<u>1933</u>	<u>1934</u>
	<u>1,000 lbs.</u>	<u>1,000 lbs.</u>
July	679	2,005
August	523	1,850
September	600	4,036
October	915	4,398
November	1,036	2,737
December	806	1,632
Total six months	4,559	16,658

Compiled from official records of the Bureau of Foreign and Domestic Commerce.

Table 2.

Cured Pork: 1/ Exports from the United States to Cuba, July-Dec., 1933 and 1934

<u>Month</u>	<u>1933</u>	<u>1934</u>
	<u>1,000 lbs.</u>	<u>1,000 lbs.</u>
July	535	800
August	491	750
September	405	977
October	469	660
November	654	756
December	361	808
Total six months	2,915	4,751

Compiled from official records of Bureau of Foreign and Domestic Commerce.

1/ Bacon, hams, shoulders, and sides.

The reduction program on hogs in this country has been consciously based on an effort to eliminate the excessive production which previously went into export and for which the market has declined. The reduction of more than 30 percent in hog farrowings in the spring of 1934 as a result of the adjustment program has brought our current production down to a balance with domestic consumption. Reduction as a result of the low feed crops due to the drought has temporarily reduced meat supplies still further. Until such time as definite steps are taken to restore the foreign market for our hog exports, it will be necessary for our farmers to adjust their corn and hog production to the quantity which can be sold at fair prices on the domestic market, rather than permit their price to be again driven to distress levels as a result of trying to produce and force on the export market large quantities of products for which there is no

effective foreign demand. During the period of adjustment, there has been a marked increase in the returns to hog farmers. Hog slaughter was 11 percent less during the first 10 months of 1934 than in the same period of 1933 and yet the money paid for these hogs including processing taxes was 47 percent more. The figures are 7,941,000,000 pounds for the 1934 period and 8,910,000,000 for the same 10-months period of 1933, and in terms of money \$508,206,000 for 1934 and \$346,587,000 for 1933-- an increase in money income of \$161,619,000.

Tobacco

Exports of tobacco have held up relatively better than most agricultural exports, but the situation has varied greatly as between types. The most important export tobacco, flue-cured, goes chiefly to Great Britain and China. Great Britain has a very high duty on tobacco, amounting to the equivalent of \$2.31 a pound. Also, Great Britain grants preferential duties to tobacco imported from British Empire countries around 20 percent below the duty applied to the United States. This preferential treatment has made possible a considerable increase in exports from British countries, but the effect of this treatment has been more largely felt by the dark tobacco, such as Kentucky, Tennessee fire-cured, than by bright flue-cured.

Our exports of flue-cured tobacco to the British market have been well maintained. In the 1933-34 season they amounted to 170,500,000 pounds, which represented a considerable increase over the shipments in the two preceding years.

Our exports of flue-cured tobacco to China were maintained at a high level until 1931. In 1932 there was a marked decline in exports to China, and in 1933 these exports remained at about the same level. Production of flue-cured tobacco in China, which has been expanding for a number of years, reached the record figure of 144,000,000 pounds in 1933. The Chinese crop in 1934 was not quite as large as the 1933 crop, but the 1934 exports showed a further decline.

The situation with respect to other types of tobacco, particularly the dark fire Kentucky-Tennessee, is less favorable than in the case of flue-cured. The principal market for this tobacco in the past has been continental Europe where most of the countries control their imports through monopolies. The most serious reduction in exports has taken place in shipments to Italy where during the last 10 years the Italian Government has encouraged a marked expansion in tobacco production with the result that our exports to that country have fallen off to around a million pounds a year, as compared with 40 million pounds 10 years ago. In general, continental European countries have, through the operation of their monopolies, tended to encourage the production and consumption of domestic tobacco at the expense of tobacco imported from the United States and other foreign countries.

Fruits

In the aggregate, fruit makes up one of the leading agricultural export groups. Apples constitute the most important single item in this trade and a description of the situation with respect to apples will serve in a measure to indicate the general fruit export situation.

The United Kingdom is the principal export market. During the present and the preceding seasons our exports to the United Kingdom have shown a considerable decline chiefly because of the increased competition of Canadian apples. The situation is that Great Britain has in the last few years imposed a duty equivalent to about \$1.45 a barrel and \$0.44 a box on apples from foreign countries including the United States, but they have imposed no duty on apples from Empire countries, including Canada. We still export very large amounts of apples to the British market but last season, 1933-34 our total exports amounted to a little less than 3,500,000 bushels, or 28 percent of our total exports, while in the 5 years 1926 to 1930 we shipped over 8,000,000 bushels, or more than 50 percent of our exports to the United Kingdom. Shipments thus far this season have been running smaller than in 1933-34.

Our next largest market is Germany, to which country our exports in 1933-34 were larger than in preceding years but the situation is very much different in the present season. Exchange control authorities allow almost no dollar exchange for the payment of American apples and as a result we have practically lost the German outlet for the present season.

The French market has expanded greatly during the years of the depression and in 1933-34 we shipped 1,300,000 bushels, or over 10 percent of our total to France. France imposes quota restrictions on the imports of apples and in the last year or two has shown a tendency to restrict greatly its imports through this device, but in the quarter January to March, 1934, it was impossible, through a bargaining arrangement for the admission of larger amounts of French wine, to secure a very large quota of a million bushels. This is the main reason why we were able to make such substantial exports to France during the 1933-34 season. The situation now is much less encouraging. Our shipments to date this season have been smaller than they were up to January of last year and the French Government has announced its quota of American apples and pears for the first quarter of 1935 of 61,500 quintals, or about 300,000 bushels, compared with 200,000 quintals, or 1,000,000 bushels which we got in 1934. On top of the restricted quota France has increased greatly its tax in the form of license fees to importers so that it is doubtful whether it would be possible for the United States to ship even the percent quota in the face of these high taxes which are, in effect, import duties.

In the face of these adverse conditions and restrictions in our principal markets our apple exports thus far this season have been about 40 percent smaller than the exports in the first half of the 1933-34 season. This is an important factor in causing the stocks of apples on hand as of January 1 to be about 20 percent larger than they were on January 1 last year.

Exhibit A

International Trade (Exports) in 4
Agricultural Products

<u>Crop Years</u>				
	<u>Wheat</u>		<u>Cotton</u>	
	13		5	
	Principal		Principal	
	Exporting		Exporting	
	<u>Countries</u>	<u>U.S.</u>	<u>Countries</u>	<u>U.S.</u>
	(million bushels)		(1,000 bales)	
1925-1929	801	170	13,208	8,579
1929-30	645	153	12,179	7,096
30-31	847	131	11,700	7,048
31-32	810	136	12,369	8,989
32-33	630	41	12,174	8,647
33-34	554	37	13,154	8,366

<u>Cal. Years</u>					
<u>Hog & Hog Products</u>			<u>Tobacco</u>		
13			16		
Principal			Principal		
Exporting			Exporting		
<u>Countries</u>		<u>U.S.</u>	<u>Countries</u>		<u>U.S.</u>
(million pounds)			(million pounds)		
1925-1929	2,285	1,137	1,253		525
1930	2,212	950	1,319		580
31	2,339	751	1,217		524
32	2,237	679	1,036		411
33	2,032	730	915		439

Exhibit B

Production of Flue-cured Tobacco in China, Canada and Southern Rhodesia,
1931-1934, inclusive

Year	China 1/	Canada	Southern Rhodesia
	<u>POUNDS</u>	<u>POUNDS</u>	<u>POUNDS</u>
1931	92,500,000	24,600,000	7,234,000
1932	105,000,000	27,941,000	12,687,000
1933	144,000,000	22,763,000	17,152,000
1934	140,000,000	18,500,000	2/

1/ Shantung, Hanan and Anhwei Provinces.

2/ Data not available.

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